

MINUTES

MONTANA SENATE 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **ACTING CHAIRMAN, SENATOR SHERM ANDERSON**, on
April 24, 2003 at 2 P.M., in Room 422 Capitol.

ROLL CALL

Members Present:

Sen. Dale Mahlum, Chairman (R)
Sen. Sherm Anderson (R)
Sen. Vicki Cocchiarella (D)
Sen. Kelly Gebhardt (R)
Sen. Ken (Kim) Hansen (D)
Sen. Sam Kitzenberg (R)
Sen. Glenn Roush (D)
Sen. Don Ryan (D)
Sen. Carolyn Squires (D)

Members Excused: Sen. Mike Sprague, Vice Chairman (R)
Sen. Bob Keenan (R)
Sen. Fred Thomas (R)

Members Absent: None.

Staff Present: Eddye McClure, Legislative Branch
Judy Feland, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HJR 44, 4/21/2003
Executive Action: HJR 44 - Do Concur as Amended

{Tape: 1; Side: A}

Hearing on HJR 44

Sponsor: REPRESENTATIVE NANCY FRITZ, HD 69, Missoula

Proponents: None.

Opponents: None.

Opening Statement by Sponsor: **REPRESENTATIVE NANCY FRITZ, HD 69, Missoula**, opened HJR 44, a request to the Legislative Council to designate an appropriate interim committee to study the feasibility of a statewide public school risk pool and health benefit plan. She professed belief that a statewide pool was possible and that a combination of regional and state pools would best serve the varying needs of districts throughout Montana. She also thought a mandatory pool was bound to fail.

Before a plan could be adopted, the following items, she felt, would ensure success: 1) there must be an initial canvass of all districts to determine which districts would be interested in participating; (under HB 302 only those districts with Montana Unified School Trust [MUSK] or Blue Cross were polled) 2) the canvass must also get an estimate of potential employees from interested districts; 3) if there is an insurance plan in place, the canvass should also learn of current rate structures and plan designs, the data being provided by a qualified consulting firm to develop a model plan with an appropriate premium; and, 4) the model would be circulated among all the districts to find those who would actually want to join. **REP. FRITZ** felt that most of the process could be set in place under the direction of an interim study committee. She urged the committee to pass HJR 44 to get the process underway.

Proponents' Testimony: None.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SENATOR KELLY GEBHARDT asked if this would be in the priority system with other studies and the sponsor answered in the affirmative. She commented that in the original House bill before the Business & Labor Committee, Line 9 read, "the actuarial firm," but Mr. Clinch and others familiar with the process suggested that the cost could run upwards to \$50,000. They suggested a "consulting firm" instead, for a minimal fee of around \$10,000 or \$15,000.

SENATOR VICKI COCCHIARELLA asked why on Page 2, Line 14, the study instructed two reports to go to the Governor.

REPRESENTATIVE FRITZ thought the Governor was involved with the interim committees, and should be informed on the progress.

SENATOR COCCHIARELLA looked at Line 6, Page 2, asking what, "presentation and review requirements" meant. The sponsor

thought it was the presentation from the consulting firm to the interim committee as a whole, to be done before September 15, well before the session.

SENATOR DON RYAN asked if there would be any complications because of the Health Insurance Privacy Protection Act (HIPPA) requirements, saying that they could ask for information, but not require it. How would they require school districts to give the information? **REPRESENTATIVE FRITZ** said she thought the information could be given as long as it was anonymous, such as for a credit rating.

SENATOR COCCHIARELLA said the Arlee school district made several attempts to get affordable insurance as they were paying \$860 out-of-pocket per month. They could not provide the information to any study or any insurance because of two big claims in their district. Even if no name was attached, everyone knew who the people were. The sponsor said she didn't know what information would be required, but that they'd uncovered quite a bit of information right in the Capitol as to each district in the state, how much is paid out in salary and how much of the salary goes to benefits. They'd discovered 50 districts where the school is paying no money toward benefits and 100 districts that had no formal insurance program. They could tell from the amount of money provided in benefits, she averred. If it was below 3%, for instance, they were paying nothing more than Workman's Comp.

SENATOR DALE MAHLUM referred to Line 26, Page 1, saying he represented Frenchtown and that they had no crisis, and were not paying too much for premiums. They didn't want anything else and preferred to stay where they were. The sponsor said she favored regional pools because the information resource officer from Billings, **Dan Martin**, said every area had a different health care system. In Missoula, she said, they were fortunate enough to have two hospitals and more doctors than they could possibly use. Because of that, they could bargain lower prices. Great Falls had a similar situation with merged hospitals. Frenchtown and all the five valleys would benefit from a regional pool.

SENATOR GLENN ROUSH said the bill referred to "statewide" all though the bill. He said the only way it would work is to regionalize all the districts in the state. He thought they needed the numbers and for some give-and-take to occur. If the district paid nothing into in it, that would be a negotiable item between the teachers and the school board. If statewide, they would revert to the earlier bill of the session. The sponsor responded by saying that the regional pool idea was something that circulated among people but not formally put into the study, but brought forward as one idea. Arlee, she thought, if included

in a statewide umbrella, would be brought in with similar health care costs because they could bargain better at a local level and also get local services. The prior plan did not take into consideration all the little schools which were without insurance and the plan would have to offer something to those small schools.

SENATOR CAROLYN SQUIRES asked **SENATOR COCCHIARELLA** if the people she referred to in Arlee were ill people. She asked the sponsor then about a serious condition like a heart transplant, and if in Missoula, they would bring these people in without skimming. She said by skimming, she meant taking the best of health and not taking the Arlee seriously ill people because it was costing that school district enough to raise their premium to \$860 per month. Potomac had the same problem, she said, paying \$350 a month and the rest was over and above because of a kid with leukemia. Missoula wouldn't take that one because it would blow their actuarial soundness. The regional thing made no sense to her. The sponsor insisted that they would take Arlee and that they would take Potomac. It was pie-in-the-sky to think they could fund a statewide insurance program on the backs of the large AA schools. If the state were willing to put forth \$1 million to start a pool on a statewide or regional level for five years, they would need three things. The first was expertise, which they had in Frenchtown, Missoula, Target Range and Great Falls, but didn't have in most little districts. The state needed to provide that initially with a successful insurance plan. The second was reserves. HB 302 planned to get a line of credit from the investment board. Money would have to be paid back with interest, plus reserves would have to be built, which was an incredible load of money, she said. The third item was stop-loss insurance. If they had the reserves from the state and stop-loss insurance, they could take in Arlee and Potomac and all the little districts because the costs would only have to go up to a certain amount and they would be secondly insured.

SENATOR SQUIRES asked the sponsor if, under the financial situation they found themselves, she thought it would actually work. The senator thought not. The sponsor, however, had higher hopes for the economic outlook in two years.

CHAIRMAN SHERM ANDERSON inquired about **REPRESENTATIVE LEWIS'** bill under discussion and wondered if some of this information was already covered before drafting. **REPRESENTATIVE FRITZ** answered by addressing the actuarial study that ran \$15,000 because a lot of the information was available. They studied schools that were covered by Blue Cross and those under the MUSK plan, which didn't include any of the big schools, AA schools, non-insured or independently-insured schools such as Clancy. While there was

some thought about folding that study into her bill, she said even if the time element and the rising cost of health were removed, they would be dealing with a totally different group of people. She thought the other study included 6,000 people, but her proposal would include 16,000-25,000 people.

Closing by Sponsor: The sponsor closed on the hearing.

EXECUTIVE ACTION ON HJR 44

Motion: SENATOR COCCHIARELLA moved that HJR 44 BE CONCURRED IN AS AMENDED. SENATOR COCCHIARELLA moved to amend HJR 44.

Discussion: SENATOR COCCHIARELLA said she served on the Legislative Council and felt the study was important and needed to be prioritized. The risk for the resolution would be that it might be very costly, she said. The amount of money available for studies had been cut drastically, so she wanted to amend the bill. She proposed the language on Page 2, Line 10, "insurance consulting firm (insert: **may**) be employed to consult with the committee or the staff on the study (insert: **if funds are available.**)" She also moved to strike Lines 14 and 15 entirely. She added to the amendments by striking the remainder of Line 16 through, "requirements," on Line 17.

SENATOR RYAN questioned the title language, "designate an interim committee or sufficient staff resources to study. . " and wondered if the resolution was not picked for a interim study, would they then direct the staff to compile the information for them? Staffer Eddye McClure said anyone could put in a request for staff to do some work, and in response for a further question about whether or not something had to happen if they passed this bill, she said if the interim committee didn't do it, the council could direct staff to do it.

Vote: The amendment motion carried unanimously.

SENATOR RYAN was uncertain about the financial obligation of the staff. The staffer explained that it would be up the Legislative Council as directed in Line 22. The resolution is a request anyway, she said, so it was not a "shall". A staff chore over 16 hours would have to be approved by the council.

SENATOR ROUSH opined that a Governor's study bill had failed, but that pertinent information might be gleaned from that report. He also said HJR 44 should wait two years.

SENATOR RYAN moved to Indefinitely Postpone HJR 44.

Discussion: **SENATOR RYAN** explained that 83% of the people were involved in the last actuarial study and he thought it was adequate. If Missoula wanted to help the small districts around them, they were free to knock on their doors at any time, but they weren't doing it because of the regional effects, and they wouldn't do it until they were forced to. Stop-loss had been included in HB 302, but in the Senate it hadn't been talked about on the floor. He advised the committee that the cost had been underestimated for this study. An actuarial study would be required and it had already taken money from the MEA-MFT and a donation from the Heintz Foundation. He favored an outside funding source, but not state dollars since an incomplete study would result.

SENATOR COCCHIARELLA spoke against the motion. She asked the Senator to withdraw his motion for another amendment to make the study more palatable.

SENATOR RYAN withdrew his motion to Indefinitely Postpone.

SENATOR COCCHIARELLA moved, on Lines 6 and 23, Page 1, to strike, "OR TO DIRECT SUFFICIENT STAFF RESOURCES".

Discussion: **SENATOR COCCHIARELLA** asked **Ms. McClure** if the language was the same as other resolutions for a priority list. **Ms. McClure** said the Legislative Council would balance the work and not choose a particular committee. The Senator wanted it on a priority list, not that it was expected to be done unless the Legislature prioritized it. **Ms. McClure** said unless it was a bill that said it, "shall," it was a resolution and it would go on a list to be acted on.

Vote: Motion carried unanimously.

Motion: **SENATOR COCCHIARELLA moved that HJR 44 be CONCURRED IN AS AMENDED. Vote:** The motion carried 9-2 with **SEN. RYAN** and **SEN. HANSEN** voting no.

ADJOURNMENT

Adjournment: 2:45 P.M.

SEN. SHERM ANDERSON, Chairman

Judy Feland, Secretary

SA/jf

EXHIBIT (bus87aad)